University of NORTH ALABAMA FOUNDATION

BUDGET, FINANCE & AUDIT COMMITTEE
UNA FOUNDATION

Friday, March 12, 2021; 9:30 – 10:30 a.m.

Zoom Videoconference

AGENDA

I.	Welcome…………………………………………………………………	Chuck Hunt '93, *Chair*
II.	Review of Prior Meeting Minutes……………………………………………	Chuck Hunt
III.	Review of Fiscal Year 2020 Audited Financial Statements……….....………	Jeremy Blackburn
IV.	Review of Development Goals……………………………………………...….	Kevin Haslam
V.	Review of Foundation Financial Items..……………..………………………………..	Gwen Patrick

MEMBERS

Chuck Hunt '95, Chair	*Kyle Buchanan*	*Kevin Haslam (staff, non-voting)*
Cathy Miller '83, Vice Chair	*Steve Jager '83*	*Evan Thornton '15 (staff, non-voting)*
Larry Bowser	*Matthew Schmitz '00*	*Lucy Trousdale '89*

Gwen Patrick '83, Staff Liaison

ARTICLE V, Section 2

The UNA Vice President for University Advancement/Executive Director and the UNA Vice President for Business and Financial Affairs/Treasurer shall serve as staff to the Committee. The Budget, Finance and Audit Committee shall submit for approval to the Board of Directors its recommendations as to an annual budget for the UNA Foundation. The Committee shall review the annual audit (in preliminary and final forms) of the Foundation prepared by the independent auditing firm then servicing the Foundation, shall present the annual audit report to the Executive Committee and the Board of Directors for approval and shall recommend to the Executive Committee and Board of Directors such other policies as it deems necessary and appropriate to assure the prudent oversight of the business and financial affairs of the Foundation. The Chair of this committee also serves as Treasurer of the Foundation Board of Directors and of the Board's Executive Committee.

MINUTES
BUDGET, FINANCE AND AUDIT COMMITTEE
UNA FOUNDATION

Friday, November 13, 2020; 9:30 a.m. – 10:30 a.m.

Zoom Videoconference

Present: Chair Chuck Hunt, Vice Chair Cathy Miller, Kyle Buchanan, Evan Thornton (ex-officio) and Foundation Executive Director Kevin Haslam (ex-officio).

Not Present: Larry Bowser, Steve Jager, Lucy Trousdale and Matthew Schmitz

Staff Liaisons: Gwen Patrick

The meeting was called to order at 9:05 a.m. Chair Chuck Hunt welcomed Committee members.

Chair Hunt reviewed minutes from the July 24, 2020 Budget, Finance, and Audit Committee meeting. Vice Chair Miller made a motion to approve the minutes as drafted. Evan Thornton provided a second and all members voted in favor.

Gwen Patrick proceeded to review the statement reflecting the actual Unrestricted Income and Expenses to Budget as of September 30, 2020. Ms. Patrick reported that President Kitts has requested that the line item of University Priorities of $250,000 would be allocated to the Human Performance Lab which will be utilized in UNA's new doctorate program beginning in Fall 2021. Other support provided by the Foundation include funding for equipment for the UNA Police Department, a lactation suite for nursing students, staff, faculty and visitors and a storage unit for Student Recreation. As expected, contributions have been down slightly but expenses have been significantly under budget. Ms. Patrick also reviewed a Statement of Financial Position and Statement of Activities for September 30, 2020. Barring any adjustments made by the auditor, Total Assets grew from $36,102,869 on September 30, 2019 to $38,348,792 on September 30, 2020.

Ms. Patrick then reviewed Fiscal Year 2020 Development Goals provided by Executive Director Haslam and goals that he has set for the Office of Advancement for Fiscal Year 2021.

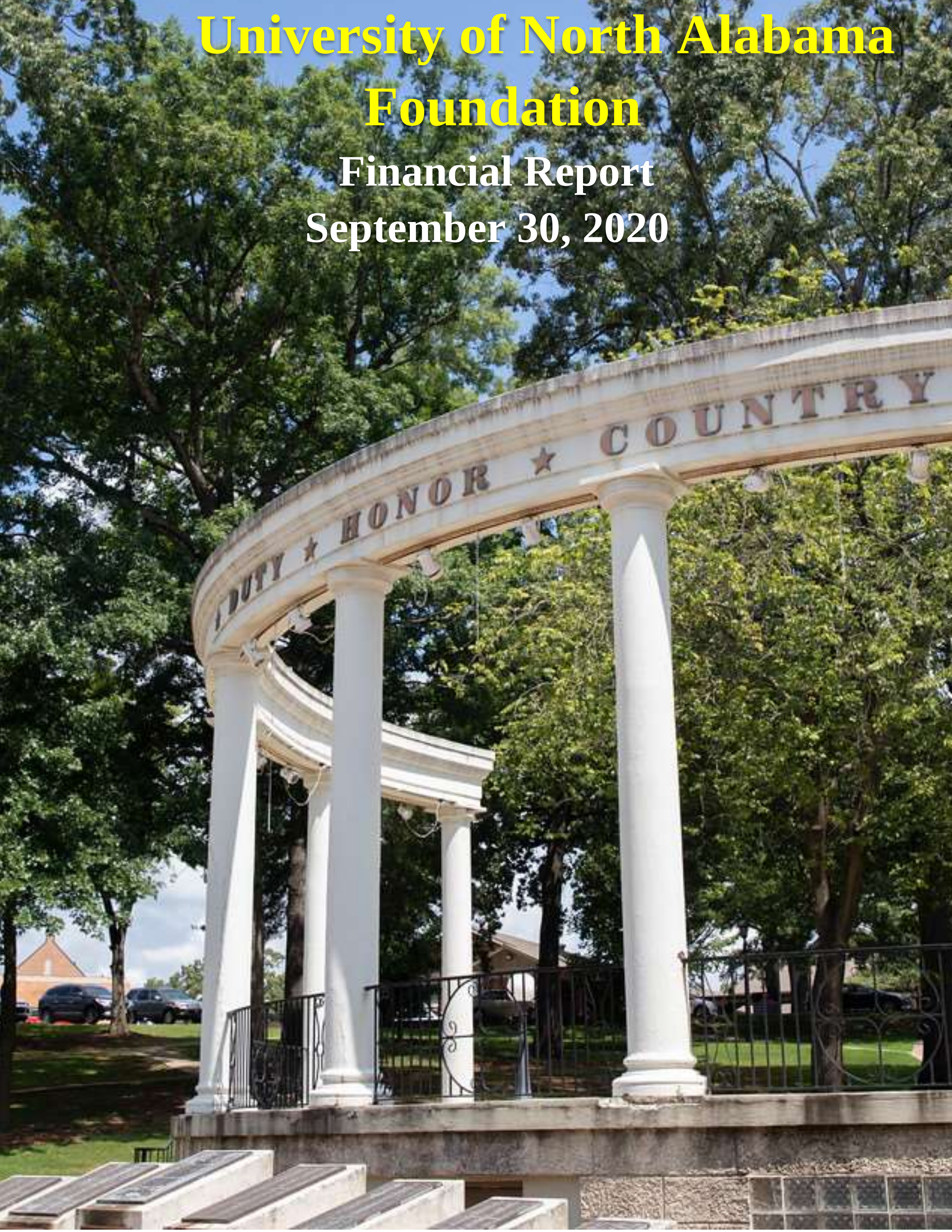
Chair Hunt reported that the Office of Admissions and Provost Alexander have approached the Foundation about supporting Meal Plan Scholarships for incoming students in Fall 2021. These scholarships will allow the Office of Admissions to better compete for incoming students. The request was for $43,125 and will provide 25 Meal Plan Scholarships. Kyle Buchanan made a motion that $43,125 be allocated from the Foundation's cash surplus toward this request, Vice Chair Miller provided a second and all members voted in favor.

Chair Hunt then initiated a discussion regarding the establishment of a board designated quasi-endowment that will fund operating and other expenses of the Foundation. A discussion was held on the advantages of such an account which included the ability to invest in the endowment pool, possibly using the contribution as a matching request for other donors and an amount to contribute. Chair Hunt made a motion that $25,000 be contributed to a board designated quasi-endowment from the Foundation's cash surplus, Vice Chair Miller provided a second and all members voted in favor.

The meeting adjourned at 10:35. a.m.

University of North Alabama Foundation

Financial Report
September 30, 2020



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
University of North Alabama Foundation
Florence, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the University of North Alabama Foundation (the Foundation), a non-profit organization, which comprise the statement of financial position as of September 30, 2020, the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, collectively, the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Growing business. Adding Value

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of North Alabama Foundation as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CDPA, PC

Florence, AL
February 11, 2021

University of North Alabama Foundation
Statement of Financial Position
September 30, 2020

Assets	
Current Assets	
Cash and Cash Equivalents	$ 3,805,417
Pledges Receivable – Current	727,413
Other Receivable	2,245
Certificate of Deposits	763,018
Interest Receivable	12,375
Total Current Assets	5,310,468
Long-Term Investments	
Restricted Certificates of Deposit for Long Term Investments	511,042
Investments	31,776,676
Total Long-Term Investments	32,287,718
Fixed Assets	
Donated Artifacts and Collectibles	98,650
Furniture and Equipment	24,364
	123,014
Less: Accumulated Depreciation	(24,364)
Total Fixed Assets	98,650
Other Assets	
Cash Surrender Value of Life Insurance	172,126
Pledges Receivable – Non-Current	643,865
Total Other Assets	815,991
Total Assets	$ 38,512,827

The accompanying notes are an integral part of these financial statements.

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	$ 507,318
Obligations to Beneficiaries under Split-Interest Agreements – Current	31,199
Total Current Liabilities	538,517
Non–Current Liabilities	
Obligations to Beneficiaries under Split-Interest Agreements – Non-Current	198,925
Total Non–Current Liabilities	198,925
Total Liabilities	737,442
Net Assets	
Without Donor Restrictions	1,808,191
With Donor Restrictions	35,967,194
Total Net Assets	37,775,385
Total Liabilities and Net Assets	$ 38,512,827

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenue and Support:			
Contributions	$ 164,303	$ 3,314,268	$ 3,478,571
In-Kind Donations	1,085,376	13,344	1,098,720
Other Income	3,146	67,712	70,858
Transfers	435,846	(435,846)	-
Net Assets Released from Restrictions	2,677,082	(2,677,082)	-
Total Support and Revenue	4,365,753	282,396	4,648,149
Expenses:			
Program Services	2,562,159	-	2,562,159
Management and General	1,465,703	-	1,465,703
Fundraising Expenses	353,037	-	353,037
Total Expenses	4,380,899	-	4,380,899
Change in Net Assets from Operating	(15,146)	282,396	267,250
Nonoperating Activities			
Interest Income	31,776	70,530	102,306
Investment Fees	(123,619)		(123,619)
Investment Return	-	2,402,345	2,402,345
Change in Net Assets from Nonoperating	(91,843)	2,472,875	2,381,032
Change in Net Assets	(106,989)	2,755,271	2,648,282
Net Assets at Beginning of Year	1,915,180	33,211,923	35,127,103
Net Assets at End of Year	$ 1,808,191	$ 35,967,194	$ 37,775,385

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statement of Cash Flows
For the Years Ended September 30, 2020

Cash Flows from Operating Activities:	
Change in Net Assets	$ 2,648,282
Adjustments to Reconcile Change in Net Assets	
to Net Cash Provided by Operating Activities:	
Realized and Unrealized Gain on Investments	(989,489)
Bad Debt Expense	213,792
Change in Pledge Receivables	(63,737)
Change in Other Receivables	(2,245)
Change in Other Assets	2,723
Change in Accounts Payable	(225,911)
Change in Actuarial Obligations Under Split-Interest Agreements	18,786
Restricted Contributions to Endowment	(3,314,268)
Net Cash From Operating Activities	(1,712,067)
Cash Flows from Investing Activities:	
Purchase of Investments	(3,154,709)
Change in Cash Surrender Value	(4,602)
Proceeds from Investments	3,902,383
Net Cash From Investing Activities	743,072
Cash Flows from Financing Activities:	
Payments of Obligations Under Split-Interest Agreements	(31,199)
Contributions to Endowment	3,314,268
Net Cash From Financing Activities	3,283,069
Net Increase in Cash	2,314,074
Cash at Beginning of Year	1,491,343
Cash at End of Year	$ 3,805,417

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of North Alabama Foundation (the Foundation) was established to provide support for the private fundraising efforts of the University of North Alabama (the University) and to manage privately donated funds. The Foundation is a nonprofit corporation organized in accordance with the laws of the State of Alabama and governed by a volunteer Board of Directors (Board). The Foundation is a component unit of the University.

The private fundraising efforts of the University and the Foundation result in the Foundation receiving contributions for the benefit of the University. Contributions are either available to be used currently or restricted as an endowment to be invested in perpetuity and provide support from investment returns for student scholarships, faculty and research support, other operational support, and for facilities and equipment. Fundraising efforts also result in the creation of charitable trusts and gift annuities. When the trusts and annuities mature, the remainder interests are available for the designated purposes as current-use or endowment gifts. The Foundation is the trustee for substantially all of the charitable remainder trusts. The Foundation also receives unrestricted contributions that can be used for Foundation activities. The Foundation devotes all its income and profits, after paying its expenses, for the benefit of the University.

Contributions may be received in cash, marketable securities, real property, tangible personal property, gifts-in-kind, life insurance policies, and various deferred giving vehicles. Contributions received in forms other than cash, except gifts-in-kind and life insurance policies, are generally liquidated. The proceeds, together with cash gifts, are placed in investment pools or other investments consistent with the purpose of the gift or the requirements of the trust agreement. The Foundation employs investment professionals to manage its investment pools and certain trust investments.

The Foundation provides financial support for the University's private fundraising efforts, maintains donor records, issues reports to donors, and provides certain direct University support at the request of the University.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the Foundation and changes therein are classified as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.

- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Net assets released from restrictions represent expenses incurred during the year that satisfy the restricted purpose. Of the restricted balances at September 30, 2020, $26,925,661 is restricted for scholarship purposes while $9,041,533 is restricted for instructional and program support services.

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The composition of net assets released from restrictions for the year ended September 30, 2020 is as follows:

	With Donor Restrictions
Program Services	$ 1,465,550
Instruction	356,237
Scholarships	855,295
Total	$ 2,677,082

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. All financial transactions have been recorded and reported as either without donor restrictions or with donor restrictions based on the existence or absence of donor imposed restrictions.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)*, which made targeted changes to the not-for-profit financial reporting model. Under the new standard, the existing three-category classification of net assets are replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called “net assets with donor restrictions.” New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. The standard also imposed several new requirements related to reporting expenses, including providing information about expenses by their natural classification. The Foundation implemented ASU 2016-14 in fiscal year 2019.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

Pledges receivable are stated net of an allowance for doubtful accounts. The Foundation estimates the allowance based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay. The allowance for doubtful accounts for pledges receivable was $85,088 at September 30, 2020.

Fixed Assets

Furniture and Equipment is recorded at cost to the Foundation or, if donated, at estimated fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. In the absence of donor-imposed restrictions on the use of donated asset, the Foundation has adopted a policy of reporting these donations as unrestricted support. The cost of property, plant, and equipment in excess of $5,000 is capitalized. Additions, improvements or expenditures for repairs and maintenance that significantly add to the productivity or extend the economic life of the assets are capitalized. At the time items are retired or sold, the applicable cost and accumulated depreciation are removed from the accounts and the difference, net of proceeds, is charged or credited to operations. Expenses for repairs and maintenance are charged to operations as incurred. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets ranging from three to twenty years.

Donated artifacts and collectibles are recorded at cost if purchased or, if donated, at estimated fair value at the time of donation. The Foundation does not recognize depreciation on artifacts and collectibles. In addition, the Foundation utilizes certain facilities owned by the University. Such facilities are not recorded on the books of the Foundation.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivables is provided based upon management's judgment.

Income Taxes

The Foundation is exempt from paying tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

Uncertain Tax Positions

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation had no unrelated business activities that are subject to taxes. The Foundation’s federal Exempt Organization Business Income Tax Returns for 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Cash Surrender Value

Cash surrender value of life insurance is reported at surrender value as September 30, 2020. Changes in cash surrender value of life insurance policies are reported as other income on the Statement of Activities and Changes in Net Assets.

Subsequent Events

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Foundation and its financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Foundation operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through the date of the auditor’s report, which was the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At September 30, 2020, the Foundation had $5,310,468 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of $3,805,417, certificates of deposit of $763,018, pledges receivable of $727,413, other receivables of $2,245, and interest receivable of $12,375.

NOTE 3 – CASH AND CERTIFICATES OF DEPOSITS

The Foundation considers all time deposits, certificates of deposit and highly liquid instruments with an initial maturity of three months or less to be cash equivalents, except for investments purchased with endowment assets, which are classified as long-term investments. The Foundation maintains its cash balances with two financial institutions. At September 30, 2020, the Foundation’s cash balance exceeds FDIC insurable limits by $3,305,428.

The Foundation has received certain donations that are required to be maintained in certificates of deposit with a certain bank. These certificates of deposit are associated with long term donations and are therefore considered restricted. At September 30, 2020, these certificates of deposit with donor restrictions totaled $511,042 and exceeded FDIC insurable limits by $261,042. The Foundation also has certificate of deposits without donor restrictions with a certain bank. At September 30, 2020, these certificates of deposit totaled $763,018 and exceeded FDIC insurable limits by $513,018.

NOTE 4 – INVESTMENTS

The Foundation's endowment consists of approximately 300 individual funds established for the purposes of scholarships and overall support of the University, including instructional and athletic support. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has received various donations to establish permanent endowment funds to provide scholarships for University of North Alabama students and the terms of the donations require these funds to be segregated from other Foundation funds.

Investment Reporting

Security transactions are recorded on a trade date basis. Interest is recorded as earned and dividends are recorded as of the ex-dividend date. Investment income includes interest and dividends; realized/unrealized gains and losses are reported as fair value increase and decrease. Investment income attributable to amounts held for the benefit of the University is reported in net assets with donor restrictions. When the activities occur, the amounts are transferred from net assets with donor restrictions to net assets without donor restrictions and the disbursements are reported as decreases in net assets without donor restrictions. Investment income attributable to amounts held for the benefit of the Foundation is reported in net assets without donor restrictions.

Investment Return Objective Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Performance goals have been established to provide a basis upon which to judge the effectiveness of the investment objective and those responsible for implementing investment decisions on a day-to-day basis. Investment managers will be judged over a cycle of three to five years.

Spending Policy

It is the policy of the Foundation to annually distribute, at least 3-5% of the average market value of the Foundation’s investments (at the end of the calendar year) over a rolling three-year period. It shall be the responsibility of the Foundation’s Investment Committee to periodically review the spending policy against actual returns in order to make adjustments necessary.

Income available for spending is determined by a total return system. The amount to be spent in the coming year is calculated and is reviewed and approved by the Foundation Executive Committee and Investment Committee.

The income that may be spent, as determined in this paragraph, may be drawn from both ordinary income earned (i.e. dividends, interest, etc.) and appreciation, both earned and unearned. All income and appreciation not needed to meet spending needs is reinvested in the investment pool.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration due to unfavorable market fluctuations. When this is the case, any such deficiencies are monitored for future results. At September 30, 2020, there were $425,433 in deficiencies included in net assets with donor restrictions related to investment losses on endowments. Of the investments associated with these deficiencies, the aggregate original gift amounts were $1,620,113, while the aggregate fair value amounts are $1,194,680.

Changes in endowment net assets as of September 30, 2020, are as follows:

	With Donor Restrictions
Endowment net assets – 10/1/2019	$ 29,861,191
Contributions, net	991,879
Investment income	2,402,345
Amounts appropriated for expenditure	(1,616,790)
Transfer	166,398
Endowment net assets – 9/30/2020	$ 31,805,023

For the year ending September 30, 2020, investment management fees and investment income activity fees were $141,091 and $5,484, respectively.

Remainder Trusts and Gift Annuities

Remainder trust agreement assets are managed on an individual account basis in a diversified portfolio designed to reduce payment volatility, consider tax implications and maximize the value of each gift. Gift annuity assets are managed as a pool.

Investments by Group

	General Investment Pool	Remainder Trusts and Gift Annuities	Total
Cash & Withdrawals	$ 35,636	$ 8,393	$ 44,029
Marketable Mutual Funds	28,964,330	309,153	29,273,483
Limited Partnerships	2,459,164	-	2,459,164
Total Investments	$ 31,459,130	$ 317,546	$ 31,776,676

NOTE 5 – FAIR VALUE MEASUREMENTS

Investment Valuation

Investments are reported at estimated fair value as determined by the Foundation, based upon a fair value hierarchy that prioritizes the input techniques used to measure fair value. The Foundation has elected to adopt early Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The ASU removed the requirement to categorize by level within the fair value hierarchy all investments with fair value measured using net asset value as a practical expedient and removed all other disclosure requirements.

The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data;
- Level 3: Significant unobservable inputs for assets or liabilities.

A financial instrument's level within this fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement. All transfers between fair value hierarchy levels are recognized at the beginning of each reporting period. The fair value hierarchy does not correspond to a financial instrument's relative liquidity in the market or to its level of risk.
In determining the reasonableness of the fair value measurement methodology, management, with the oversight of the Investment Committee, evaluates a variety of factors including review of existing contracts, economic conditions, and industry and market developments. Certain unobservable inputs are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

Level 1 investments are typically investments in debt and equity marketable securities but may also include money market funds, certificates of deposit, and other highly liquid investments with maturities of 90 days or less with high credit quality entities. All level 1 investments are reported at fair value.

For any level 3 investments, fair value would be determined by the Foundation to be best estimated by giving consideration to any factors which might necessitate an adjustment such as initial and ongoing due diligence monitoring, significant market or portfolio changes, and assumptions of a new hypothetical market participant. The Foundation does not have any level 3 investments.

The following table set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of September 30, 2020:

	Level 1	Level 2	Level 3	At NAV	Total
Certificates of Deposit	$ 1,274,060	$ -	$ -	$ -	$ 1,274,060
Money Market	44,029	-	-	-	44,029
Mutual Funds:					
SEI Extended Mkt Index-A	686,733	-	-	-	686,733
SEI Large Cap Fund	5,067,714	-	-	-	5,067,714
SEI S&P 500 Idx-A	5,212,000	-	-	-	5,212,000
SEI Small Cap II Fund-A	637,479	-	-	-	637,479
SEI Core Fixed Income Fund #285	7,133,703	-	-	-	7,133,703
SEI High Yield Bond Fund #284	2,468,407	-	-	-	2,468,407
SEI Global MGD Volatility FD	1,204,639	-	-	-	1,204,639
SEI World Equity Ex-Us Fund	5,940,908	-	-	-	5,940,908
SEI SIIT Real Return A	612,747	-	-	-	612,747
First Eagle Global Fund	228,504	-	-	-	228,504
Gotham Neutral FD	80,649	-	-	-	80,649
Total Mutual Funds	29,273,483	-	-	-	29,273,483
Limited Partnerships:					
Core Property	-	-	-	550,340	550,340
Private Assets	-	-	-	44,205	44,205
Opportunistic	-	-	-	92,994	92,994
Real Assets	-	-	-	715,551	715,551
Private Equity	-	-	-	1,056,074	1,056,074
Total Limited Partnerships	-	-	-	2,459,164	2,459,164
	$30,591,572	$ -	$ -	$2,459,164	$33,050,736

The following table provides information related to the previously mentioned investments that are valued based on Net Asset Values (NAV):

	Fair Value at September 30, 2020	Unfunded Commitments at September 30, 2020	Redemption Frequency	Redemption Notice Period
Core Property (a)	$ 550,340	$ -	Quarterly	90 Days
Opportunistic (b)	92,994	78,645	Annual	90 Days
Real Assets (c)	715,551	370,000	Annual	90 Days
Private Assets (e)	44,205	-	Quarterly	90 Days
Private Equity (d)	1,056,074	300,000	Annual	90 Days
Total	$ 2,459,164	$ 748,645		

a) *Core Property* – This category generally consists the collective investment of assets of participating tax qualified pension and profit sharing plans and relates trusts, and governmental plans (or the assets of a governmental unit used to satisfy its obligations under a governmental plan).

b) *Opportunistic*– This category may include any strategy that offers exceptional risk/reward opportunities. This category is designed to provide the Investment Committee with the flexibility to select investments for a relatively small part of an overall allocation, which may not fit into the other designed allocation categories.

c) *Real Asset*s – This category will generally consist of managers that invest in a diverse basket of tangible assets with built-in inflation protection characteristics. These investments will primarily be long-only.

d) *Private Equity* – This category consists of partnerships that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.

e) *Private Assets Fund* – This category consists of partnerships that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.

NOTE 6 – PLEDGE RECEIVABLES

Pledge receivables, which are unconditional promises to give, are recorded as receivables and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. For pledges, the discount rates used to determine present values are based on U.S. Treasury note rates for comparable maturities at the date of the pledge. These average to approximately 1.2%.

Total pledge receivables, net of an allowance for uncollectible pledges and discounted to present value at September 30, 2020, are as follows:

	Less Than One Year	One to Five Years	Total
Pledges			
Gross	$ 727,413	$ 750,314	$ 1,477,727
Discount	-	(21,361)	(21,361)
Allowance	-	(85,088)	(85,088)
Total Pledges	$ 727,413	$ 643,865	$ 1,371,278

NOTE 7 – FIXED ASSETS

Fixed assets consisted of the following at September 30, 2020:

Donated artifacts and collectibles	$ 98,650
Furniture and equipment	24,364
	123,014
Less accumulated depreciation	(24,364)
Total Fixed Assets	$ 98,650

Depreciation expense for the year ending September 30, 2020 was $0.

NOTE 8 –OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS

The Foundation has entered into irrevocable charitable gift annuity agreements with donors whereby in exchange for the gift from the donor, the Foundation is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years.

The Foundation has also entered into charitable remainder annuity and unitrust agreements whereby assets are made available on the condition that income is paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreements. Remainder trust obligations are an actuarially determined liability which represents the present value of estimated future payments to beneficiaries, taking into consideration their life expectancy and discounted at applicable interest rates.

A liability is recognized for the estimated present value of the both the gift annuities and the remainder trusts and the assets are recorded at their gross market value for agreements where the Foundation is the trustee. The discount rate and actuarial assumptions used in calculating the split-interest obligation are those provided in American Council on Gift Annuity guidelines and actuarial tables. The annuity payments are a general obligation of the Foundation.

Assets of the Foundation that are derived from gift annuities and charitable remainder trusts are included in investments on the statement of financial position. The values of these at September 30, 2020 are as follows:

	Gift Annuities Assets	Total Assets
Cash & Withdrawals	$ 8,393	$ 8,393
Mutual Funds	309,153	309,153
	$ 317,546	$ 317,546

Changes in obligations under the gift annuity and remainder trust contracts at September 30, 2020, were as follows:

	Gift Annuities Liabilities	Total Split-Interest Liabilities
Total Obligation at September 30, 2019	$ 242,537	$ 242,537
Obligation on New Gifts	-	-
Payments to Beneficiaries	(31,199)	(31,199)
Actuarial Value Changes	18,786	18,786
Total Obligation at September 30, 2020	$ 230,124	$ 230,124
Current Portion	$ 31,199	$ 31,199
Non-Current Portion	198,925	198,925
	$ 230,124	$ 230,124

NOTE 9 - RELATED PARTY

University Support

The University of North Alabama Foundation exists to assist the University. Due to the nature of this relationship, there are numerous transactions between the two entities and their representatives for program services, instruction, and scholarship purposes. During the year ended September 30, 2020, the Foundation expensed $2,562,159 in support of the University's programs and scholarships. At September 30, 2020, pledge receivables from University Board of Trustees/Foundation Board of Directors and Alumni Association were $396,375 and $12,917, respectively. The Foundation has payables to the University of $376,804.

Personnel Costs and Facilities

The Foundation uses office space owned by the University without paying rent for the facilities. The value of the donated facilities was $26,449 for the year ending September 30, 2020. Furthermore, the Foundation employees are paid by the University. The salaries and benefits for the year ending September 30, 2020 were $1,030,902. Supplies paid by the University for the Foundation totaled $27,026 for the year ending September 30, 2020.

Funds Held for Others

The Foundation has an affiliation agreement with the University of North Alabama Sportsman's Club. The Sportsman Club has transferred funds to the Foundation for recordkeeping purposes. These funds are pooled together with the Foundations funds and the Foundation records a liability for such funds. As of September 30, 2020, the liability associated with such funds was $115,053.

NOTE 10 – FUNCTIONAL EXPENSES

Certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort, and usage of assets. For 2020 natural expense accounts were allocated as follows:

	Year Ending September 30, 2020				
	Program Services	Supporting Services			
	Programs	Management and General	Fundraising	Supporting Subtotal	Total
Scholarships Awarded	$ 855,295	$ -	$ -	$ -	$ 855,295
Eminent Scholars Support	158,539	-	-	-	158,539
Academic Program Support	197,698	-	-	-	197,698
Alumni Program Support	41,583	-	-	-	41,583
Annuities	18,886	-	-	-	18,886
Athletic Department Support	579,237	-	-	-	579,237
Student and Faculty Support	253,003	-	-	-	253,003
Other Program Support	457,918	-	-	-	457,918
Contract Services - Other	-	26,968	18,591	45,559	45,559
Supplies	-	5,876	180	6,056	6,056
Postage	-	25,795	-	25,795	25,795
Legal & Accounting	-	18,275	-	18,275	18,275
Printing & Copying	-	10,269	-	10,269	10,269
Membership Dues	-	4,413	-	4,413	4,413
Marketing	-	40,500	-	40,500	40,500
Donations & Sponsorships	-	1,450	1,750	3,200	3,200
Software & Maintenance	-	68,094	-	68,094	68,094
Insurance	-	12,593	-	12,593	12,593
Fees	-	10,766	-	10,766	10,766
Travel, Lodging, & Meals	-	1,486	18,247	19,733	19,733
Staff Development	-	20,316	-	20,316	20,316
Donor Appreciation	-	5,496	-	5,496	5,496
Fundraiser & Volunteer	-	12,399	1,369	13,768	13,768
In-Kind Expense	-	772,476	312,900	1,085,376	1,085,376
General Program Support	-	428,531	-	428,531	428,531
Total	$ 2,562,159	$ 1,465,703	$ 353,037	$ 1,818,740	$ 4,380,899

NOTE 11 – RECENTLY ISSUED ACCOUNTING STANDARDS

Adopted

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. This ASU intends to make certain improvements to the current reporting requirements for not-for-profit entities. This standard sets forth changes to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The Foundation adopted ASU 2016-14 in its financial statements effective September 30, 2019. The impact of adoption changes the classification of net assets on the consolidated balance sheets and statements of activities and changes in net assets from three classes of net assets to two classes of net assets. The Foundation also added disclosure for the liquidity and availability of financial assets at the balance sheet date to meet cash needs for general expenditures within one year and disaggregated functional expense classifications by their natural expense classification. The impact of adopting ASU 2016-14 had no impact to total unrestricted revenues, excess of revenues over expenses or total net assets.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU intends to clarify and improve current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Foundation adopted ASU 2018-08 in its financial statements effective September 30, 2019. The impact of adopting ASU 2018-08 had no impact to total unrestricted revenues, excess of revenues over expenses or total net assets.

Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) (ASU 2016-02). The amendments in ASU 2016-02 create FASB ASC Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, Leases. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for all business entities for fiscal years beginning after December 15, 2019. The Foundation is currently evaluating the impact of this guidance.